

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
L-03 FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00
AID-05 CIAE-00 COME-00 INR-10 IO-13 LAB-04
NSAE-00 OIC-02 SIL-01 OPIC-03 STR-07 TRSE-00
CEA-01 SS-15 OES-09 NSC-05 /157 W
-----045974 182248Z /21

R 181848Z AUG 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 3311
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION USUN NEW YORK

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USEEC USOECD

E.O. 11652: N/A
TAGS: UNCTAD, ETRD, PORG
SUBJECT: UNCTAD COMMON FUND: AUGUST 18 INFORMAL MEETING

REF: A) STATE 201781, B) GENEVA 12275

1. SUMMARY: SYG COREA, AFTER NOTING THE HIGH-LEVEL SUPPORT FOR A COMMON FUND ENUNCIATED AT THE ASEAN-US DIALOGUE, OBSERVED THAT WHILE SEVERAL POINTS OF AGREEMENT EXIST ON THE COMMON FUND THERE IS NO CONSENSUS ON SOME KEY ELEMENTS. GROUP B SPOKESMAN, AMB. HESSEL, POINTED OUT SEVERAL POINTS WHICH GROUP B CANNOT ACCEPT. SPECIFICALLY, PROBLEMS EXIST IN THE AREAS OF DIRECT CONTRIBUTIONS, CALLABLE CAPITAL, JOINT FINANCING FOR ICAS, FINANCING OF NATIONAL STOCKS WHERE NO ICAS EXIST AND PRICE STABILIZATION.
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ZATION ON MARKET TRENDS. THE PRC DELEGATE EMPHASIZED THE IMPORTANCE OF THE SECOND WINDOW AND DIRECT GOVERNMENT CONTRIBUTIONS WHILE EXPRESSING RESERVATIONS ON CASH CONTRIBUTIONS THROUGH ICAS. G-77 SPOKESMAN, AMB BRILLANTES, ALSO EMPHASIZED THE IMPORTANCE OF DIRECT GOVERNMENT CONTRIBUTIONS AND ASSERTED G-77 COULD NOT ACCEPT A CF WITHOUT A SECOND WINDOW. FINALLY HE INSISTED THAT VOTING WEIGHTS

SHOULD BE CONSTRUCTED TO BENEFIT THE LDCS, "GIVING THEM A DECISIVE AND EFFECTIVE VOICE IN THE CF." THE NEXT ROUND OF MEETINGS ARE SET FOR SEPT 1 AT 3 PM AND SEPT 2 AT 10:30 AM. END SUMMARY.

2. SYG COREA OPENED THE MEETING BY NOTING THAT SEVERAL IMPORTANT ENDORSEMENTS OF THE COMMON FUND HAVE BEEN ENUNCIATED SINCE THE LAST MEETING IN JULY, SPECIFICALLY INCLUDING THE ASEAN-US DIALOGUE AT WHICH THE U.S. AFFIRMED ITS "WILLINGNESS TO WORK TOWARD ESTABLISHMENT OF A COMMON FUND." COREA NOTED THAT WHILE SEVERAL POINTS OF AGREEMENT HAVE BEEN REACHED, NO CONSENSUS EXISTED ON THREE KEY ELEMENTS:

- (A) THE CHARACTER AND OPERATION OF THE SECOND WINDOW,
- HOW THE RESOURCES FOR IT WILL BE PROVIDED AND THE
- OBJECTIVES WHICH IT WILL SERVE.
- (B) HOW THE CF WOULD ASSIST ICAS, INCLUDING THE
- EXTENT TO WHICH ICAS WOULD NEED TO RAISE THEIR OWN
- RESOURCES, WHAT THE RATIO OF CASH TO BORROWING MIGHT
- BE AND WHAT WOULD BE THE ROLE OF CALLABLE CAPITAL
- AND HOW IT WOULD BE ASSIGNED TO THE CF.
- (C) HOW VOTING AND DECISION-MAKING WOULD TAKE PLACE.
- COREA POINTED OUT THAT THERE HAD NOT BEEN MUCH DIS-
- CUSSION ON THIS ISSUE AND THAT NO FIRM PROPOSALS HAVE
- BEEN MADE AS YET.

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COREA CONCLUDED HIS OPENING REMARKS BY SUGGESTING THAT THE CONFERENCE TAKE PLACE DURING A PERIOD OF THREE WEEKS IN NOVEMBER DURING WHICH QUESTIONS OF SUBSTANCE AND ORGANIZATION WOULD BE CONSIDERED.

3. SPEAKING FOR GROUP B, AMB. HESSEL EMPHASIZED THAT TODAY'S DISCUSSION WAS NOT TO DEBATE SUBSTANCE BUT RATHER TO INDICATE WHAT AREAS FUTURE CONSULTATIONS MUST EMPHASIZE. FOLLOWING THE APPROACH AGREED TO IN THE AUG 10 MEETING OF GROUP B (REF B), AMB. HESSEL OUTLINED FOUR MAJOR AREAS WHERE WE FELT THE DISCUSSIONS SHOULD FOCUS. HE RELATED THESE TO THE JUNE 14 DOCUMENT WHICH HE PROCEEDED TO CRITICIZE SHARPLY, NOTING THAT THERE ARE SEVERAL POINTS WHICH GROUP B CANNOT ACCEPT. SPECIFICALLY HESSEL ASSERTED THAT IT WAS IMPORTANT TO CLEAR UP THE PRINCIPLE OF DIRECT CONTRIBUTIONS AND POINTED OUT THAT GROUP B CANNOT SUBSCRIBE TO PARAGRAPHS 11 AND 12 OF THE JUNE 14 PAPER. HE SAID THAT PARAGRAPHS 17 AND 18 WOULD REQUIRE REEXAMINATION, THAT THE CALLABLE CAPITAL ISSUE RAISES QUESTIONS (PARAGRAPH 21), AND THAT JOINT FINANCING FOR THE ICAS CANNOT BE REGARDED AS AN ACCEPTED FACT, EXPLAINING THAT THE CF SHOULD NOT AFFECT THE OPERATION OF

THE ICAS (PARAGRAPH 19). HESSEL EMPHASIZED THAT WE REGARDED PROCEDURES AND MANAGEMENT AS VERY IMPORTANT. FINALLY, HE MENTIONED THE PROBLEM OF FINANCING OF NATIONAL STOCKS WHERE NO ICAS EXIST AND THAT NO DECISION HAD BEEN REACHED ON THE ISSUE OF PRICE STABILIZATION ON MARKET TRENDS.

4. THE PRC DELEGATE STATED THAT HE REGARDED AS IMPORTANT THE PRINCIPLE THAT THE COMMON FUND WOULD EXTEND FINANCING THROUGH A SECOND WINDOW. HE HELD DIRECT GOVERNMENT CONTRIBUTIONS AS VITAL TO THE STRUCTURE OF THE CF, AND WHILE HE ADMITTED THE POSSIBILITY OF VOLUNTARY CONTRIBUTIONS OR LOANS HE CONSIDERED THESE OF SECONDARY IM-

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PORTANCE. FINALLY HE STATED THAT THE PRC HAS RESERVATIONS ON THE ISSUE OF CASH CONTRIBUTIONS THROUGH ICAS (PARAGRAPH 10) AND EMPHASIZED THAT THESE SHOULD NOT INFLUENCE THE NATURE OF THE CF.

5. SPEAKING FOR THE G-77, AMB. BRILLANTES SAID HE DID NOT WISH TO COMMENT ON THE JUNE 14 DOCUMENT, WHICH HE DESCRIBED AS A NON-PAPER. HE STRESSED THAT THE SUBSEQUENT TALKS SHOULD BE INFORMAL BUT THAT THE G-77 NONETHELESS WANTED THEM CONSIDERED AS NEGOTIATIONS, WHICH SHOULD PRO-

CEED ON BASIS OF DOCUMENT L4. BRILLANTES ASSERTED THAT THE G-77 COULD NOT ACCEPT A CF WITHOUT DIRECT GOVERNMENT CONTRIBUTIONS OF EQUAL MINIMUM AMOUNT ALTHOUGH THE G-77 IS WILLING CONSIDER THE SPECIAL PROBLEM OF THE LLDCS IN MAKING SUCH CONTRIBUTIONS. THE G-77 CANNOT ACCEPT A CF WITHOUT THE SECOND WINDOW WHICH IT CONSIDERS AN IMPORTANT AID AND ASSISTANCE MECHANISM. (HE DID SAY, LIMITED OFFICIAL USE

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HOWEVER, THAT WINDOWS ONE AND TWO SHOULD BE TWO ENTIRELY SEPARATE ACCOUNTS.) FURTHER, THE CF WOULD NOT ELIMINATE OR ABSORB ICAS, ALTHOUGH IT WOULD BE HOPED THAT THE ICAS WOULD WANT TO JOIN THE CF. MOST IMPORTANTLY, CF VOTING WEIGHTS SHOULD REFLECT THE PURPOSES FOR WHICH THE ORGANIZATION IS BEING FOUNDED, I.E., TO BE OF BENEFIT TO THE LDCS. THEREFORE THE LDCS SHOULD HAVE A "DECISIVE AND EFFECTIVE VOICE IN THE CF."

6. WHILE A GROUP D DELEGATE TOOK THE FLOOR, HE ADDED NOTHING OF SUBSTANCE TO THE DISCUSSION.

7. THE TIME AND DATE FOR THE NEXT ROUND OF MEETINGS WAS SET FOR SEPTEMBER 1 AT 3 PM AND SEPTEMBER 2 AT 10:30 AM. AMB. HESSEL INITIALLY SUGGESTED THAT SINCE THE MEETING WAS INFORMAL AND UNOFFICIAL, IT BE HELD SOMEWHERE OTHER THAN AT THE PALAIS, ALTHOUGH HE RELENTED WHEN IT WAS POINTED OUT THAT TRANSLATION SERVICES WOULD BE MUCH EASIER IF THE MEETINGS WERE HELD THERE. SORENSON

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